

Scaling up rural local innovations in the Andes: **promoting changes** in institutions and organizations



APCA. The Coffee Producers Association of Apolobamba-Bolivia. The associates developed an innovative pricing mechanism, which is based on an index linked to the Association's yearly profits.

In rural localities of the Andes effective institutional and organizational innovations are being developed. These innovations are making meaningful contributions to the transformation of the region's rural economy.

Despite the limitations and institutional flaws found in the Andes —or perhaps because of their prevalence— the emergence of **new forms of economic and social organization** has been apparent in recent years, namely: new business models, partnership and cooperative schemes, and also organizations of civic, social and business representation developed by local communities, entrepreneurs and private business people.

Similarly, **institutional innovations** can be found, such as: formal and informal norms and regulations at the local level, developed by rural communities to manage shared natural resources; or ways to ensure the involvement of poor rural families and groups excluded from decisions, developed by political leaders in local governments; among others.

New **approaches and methodologies** to promote rural development are also being generated, such as, participative decision processes on public investment resources and local economy management approaches created locally by development researchers and practitioners.

Many of these innovations have proven to be highly effective in solving organizational and institutional problems in rural locations, and others have allowed taking effective advantage of new opportunities generated in the region.

However, the vast majority of them have only worked at the local scale or pilot level and very few have stepped to larger scales. Their adoption in other locations has taken place slowly and sporadically.

Innovation in the organization of local economy: Rural enterprise partnerships in Bolivia:

In the valleys of Chuquisaca, Bolivia, a group of rural farming communities has increased their income in more than 100% by growing high quality organic oregano. This is the result of a successful partnership among farming cooperatives, NGOs that provide technical services (Valles Foundation), a Canadian NGO (SOCODEVI) and local governments.



Following several years of work, they established a private company called Spices Business Unit (UNEC, as per its Spanish acronym). This company supplies oregano seedlings to farmers, provides technical assistance, and collects, processes, packs and exports the produce to high value markets in Latin America.

The work carried out by this partnership is not contract-farming. Instead, through their cooperatives and associations, farmers are shareholders of the company and, therefore, entitled to the company's dividends.

This partnership experience is an effective way of linking rural farmers to high value markets and of accessing investor's capital as well as technical assistance. There are some similar experiences in the Andes of Bolivia, but so far all of them have been developed only at the local scale.

Innovative development approach: Cultural identity-based territorial development:

In the Andes, the traditional food, handcrafts and products made by rural families are commonly based on the cultural heritage and local knowledge of communities. This feature can be used to develop other means of livelihood complementary to their traditional economic activities, which are farm centered, thus promoting the diversification of local economy.

In line with the above, RIMISP has developed the Cultural Identity-based Rural Territorial Development Approach" (DTR-IC, as per its Spanish acronym). Through a combination of local capacity building, alliances, awareness campaigns, and the establishment of "territorial brands", the approach promotes the development of innovative livelihoods based on the cultural identity of Andean and Latin American countries.

DTR-IC is an innovative way of activating seldom-used local resources that are particularly accessible to the most vulnerable segments of the rural population: indigenous youth and women. In Peru and Bolivia, several rural territories are using this approach to promote the economic transformation of local areas.



Institutional innovation: The Local Resource Allocation Committee (the CLAR mechanism):

In Peru, the Puno-Cuzco Corridor project (funded by IFAD) developed the CLAR mechanism, which is a method that enables rural communities to manage public resources. The method is based on the traditional decision making practices of Andean communities, which are rooted in principles of fairness, co-responsibility and transparency.

The CLAR method has revolutionized the way resources are applied for rural development. It has been adopted not only by rural communities, but also by municipal governments. As an institutional innovation, it has inspired the development of a number of laws and regulations on public investment, allowing the transfer of resources to rural communities.

What are the barriers that hinder the scaling up of effective local institutional and organizational innovations?

One of the main limitations that prevent these innovations from stepping to larger scales has to do with the core knowledge on which these innovations are based. This knowledge is generally implicit and largely un-codified, and therefore difficult to transfer and communicate.

For this reason, local actors, although convinced of the effectiveness of an innovation, face difficulties when trying to understand how the principles, norms and mechanisms that make up these innovations can be included in the current institutional structure.

The lack of explicit, clear and categorical evidence on the effectiveness of innovations also limits the likelihood of convincing other peers to adopt them and drive forth their application. Also, it prevents decision makers and other influential actors in public and private organizations from obtaining the necessary political support to promote the changes proposed by a given innovation.

With agendas always changing, it is difficult to make an innovation coincide with the right moment, with the adequate space, and with the necessary political support, which would ensure that the institution or organization takes such innovation into account: **a good idea in a bad institutional moment has no chance of being taken into account.**

In addition, institutions and organizations in rural locations are usually reluctant to changes and opposed to alternatives that involve a certain degree of risk, especially if they are public organizations and institutions.

In this regard, organizational and institutional innovations have little room to integrate into local contexts and increase their scale.

How can the scaling up of institutional and organizational innovations be supported?

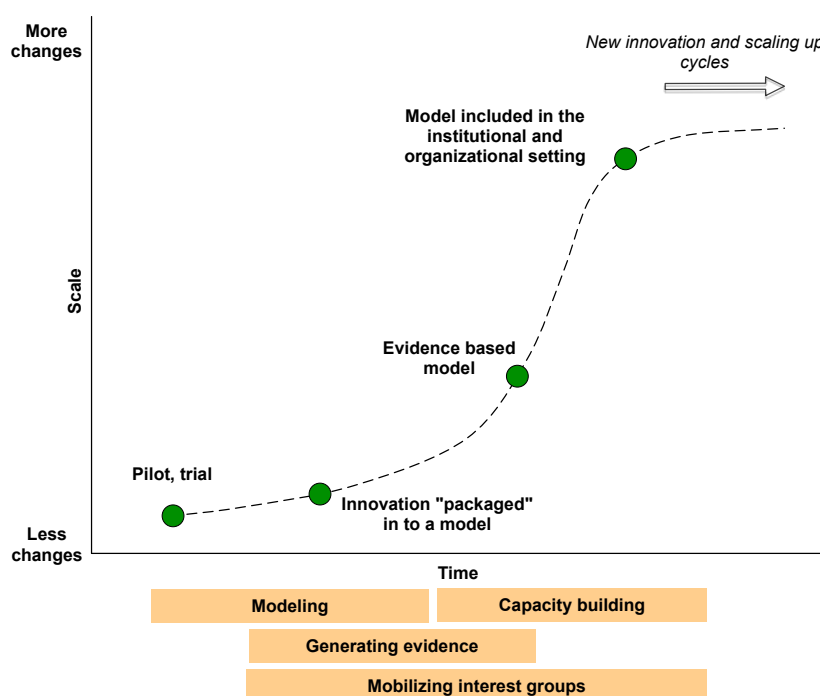
The scaling up of organizational and institutional innovations can be promoted by helping those innovations in the process of scaling up to overcome the above-mentioned limitations in a systematic manner. This can be achieved by **stimulating the ongoing scaling up processes** and by **finding spaces and conditions in the context** so that innovations scale up.

Another important constraint in scaling up institutional innovations is the agenda of rural institutions and organizations. This agenda changes constantly in response to the ever-changing interests of social actors.

Stimulating ongoing scaling up processes

Institutional innovations that show signs of effectiveness derive from ongoing scaling up processes. To accelerate and intensify those processes, it is essential to support them directly. Four actions are proposed:

1. Modeling the **core knowledge** on which the innovations are based.
2. **Generating evidence** on the effectiveness of innovations.
3. **Mobilizing resources and interest groups** (constituencies) that support change and generate spaces for the scaling up.
4. Building **capacity** for institutional or organizational **change**.



1. Modeling core knowledge

Organizational and institutional innovations are based on tacit knowledge. In order to scale them up, this knowledge needs to be articulated in more explicit terms. This can be accomplished by packaging the innovation as a **"model"**.

For a model to be explicit, first it is necessary to find *what makes it work*: the essence of the innovation, the novelty that the innovation introduces in institutions or organizations and that generates changes in them.

Secondly, based on the above, the steps or logical stages to apply the innovation can be formulated

with different degrees of depth and detail. These steps can take the shape of operation manuals, public policy and regulation guidelines or methodologies for the application of development approaches, among others.

As the innovation is made explicit and applied, new knowledge about it will emerge and about what precautions are needed to apply it, and so forth. In brief, as the innovation's application expands, **new knowledge is continuously generated**, which enhances and improves it.

DTR-IC/RIMISP Critical Methodological Route is a model that:

- Guides the implementation of rural territorial development strategies based on the valorization of cultural and natural assets.
- Guides the articulation of these strategies with existing initiatives in the territory and become an alternative for the traditionally marginalized population.

The implementation of the Critical Methodological Route aims to:

- Identify cultural and natural assets, on the basis of which a strategy can be developed that articulates the territory around its cultural assets.
- Build the capabilities of local actors to valorize assets by creating products and services based on cultural or natural identity.
- Develop public-private coalitions that can make the strategy operational and enhance it.

A “model” may be understood as a simplified and condensed package of ideas, values, norms, principles and logics which, when applied, generate institutional or organizational changes.

2. Generating evidence

For an institutional or organizational innovation to scale up, making it explicit and packaging it into a model is not enough. Prospective users will need **evidence that demonstrates that the innovation works**.

As the innovation is implemented in more locations, evidence is generated, demonstrating (or not) its effectiveness.

But if the goal is to expand it to larger scales, more substantial evidence must be produced, whether qualitative or quantitative.

This entails systematically assessing the effectiveness of the innovation, especially its capacity to produce the expected changes with local resources and under local conditions.

Evidence on the effectiveness of the DTR-IC Approach:

Ten cases were studied in Tarija, Bolivia, where rural families developed alternative ventures based on cultural identity.

These cases show that, in the last 10 years, the ventures that were analyzed increased their income approximately 10.5 times over. The actors involved have an average monthly income of USD1,181, which is significantly higher than the minimum national wage of USD144.

The evaluations show that these ventures reduce the seasonality of their income, which means rural families have a regular income almost year-round. Farmers used to have 3.5 low income months per year, but now they reduced to 1 month. For tourism service providers, the low income months reduced from 7 to 3.

In general, income growth and its reduced seasonality are linked to:

- Increase in the demand of IC-based products (local and national).
- Image enhancement of the products from Tarija (wine, cheese and ham) at the national level.
- The growth of tourism, mainly domestic and from Argentina.
- Improved IC-based goods and services, in response to demand.

3. Mobilizing resources and interest groups

The most important resources that must be mobilized to scale up an innovation are the **social capital and financial resources**.

Mobilizing social capital entails encouraging local actors to promote the application, adoption and use of the innovation, be it a norm that should be included in the local, sub-national or national institutional structure, or a change in the functions of an organization.

To mobilize social capital, the decisive leadership of one or several actors is necessary, which encourages, inspires and guides the actions of other actors.

This leadership must be capable of reconciling the diverse interests of the actors who are supporting the scaling up of the innovation, and from there on, build a "shared agenda"; a plan for change that guides the actions of the different actors involved.

Availability of financial resources to support strategic activities is crucial. **Quality of funding**, in terms of flexibility of the resources and timespan of funding is more important than the amount of resources available. Little money applied to strategic activities in key moments can have important scaling up effects.

Articulating strategies and coalitions: an effective way to mobilize resources to scale up innovations:

DTR-IC is an approach that promotes the development of economic alternatives based on the cultural and natural assets found in rural territories. An important part of this approach is the development of the so-called "articulating strategies". These are aimed at harmonizing different initiatives to valorize cultural and natural assets as well as at establishing an agenda of joint actions and an implementation plan, under a holistic approach.

Through the development of articulating strategies and coalitions in different territories, the DTR-IC approach is scaling up exponentially in Latin America. PEIR has supported the development of the articulating strategy of Tarija's central valley in Bolivia as well as the articulation strategy of Lari and Sibayo in Peru. In both cases, the DTR-IC approach is being successfully implemented.

4. Building organizational capacity for change

The scaling up of an institutional or organizational innovation will depend largely on the thrust it receives from actors who are interested in increasing its scale. For this, the innovation must be packaged, evidence needs to be generated and resources have to be mobilized. However, all this will be worthless if the practical capabilities needed to implement and apply the innovation are not developed.

Developing the learning capabilities in organizations is necessary so that they can continually assimilate changes and improvements and, in doing so, overcome the organizational inertia that normally opposes change. One practical and effective way to

achieve this is through horizontal interaction workshops, in which people holding different positions in organizations receive training and discuss the ways to implement an innovation.

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The “training municipality” as a way to develop capabilities to scale up rural innovations:

The Rural Municipal Network of Peru designed a highly effective method to train rural municipal authorities and officers on basic procedures of municipal management. It is called “municipio escuela” (training municipality, in Spanish).

A municipality that is handling one or several municipal procedures in an outstanding manner is selected. Officers from other municipalities visit this municipality and receive hands-on training: they observe how procedures are applied in practice and, more importantly, they are able to grasp that kind of implicit knowledge that often makes procedures work adequately.

Through the training municipality, CLAR has been able to scale up in more than 10 rural municipalities in Peru.

Generating spaces and conditions in the context

It is possible to help an innovation expand to larger scales and directly influence institutions and organizations. One way to accomplish this is by analyzing current norms, regulations and procedures in order to find possible “entry points”: spaces where the innovation can fit and promote changes.

Based on such analysis, the innovation can then be molded to the actual conditions and restrictions of the institutions and organizations. In this way, the innovation adapts to such norms and complements them.

In cases where the innovation that is being scaled up is an institutional innovation, the policy analysis goes hand in hand with the legislative processes.

Therefore, it is essential that decision makers are directly involved in the analysis process, making the innovation their own issue, and leverage their political capital to support and propel it. By directly participating in the analysis process, decision makers enable the innovation’s passage through their channels of political influence.

When involving decision makers in the scaling up process, a trade-off is necessarily involved between the technical recommendations and the real possibilities and opportunities, or the specific and present needs of public policy. In a sense, this implies tailoring the knowledge generated for public policy recommendations to specific situations.

CIDRE’s policy analysis for an investment law:

CIDRE, an NGO, specializes in research and development of financial services. With the Program’s support and based on an innovative experience in Bolivia, CIDRE developed Rural Transformation Partnerships, through which small rural producers can partner with private investors and agro-industrial enterprises and, in this way, access competitive and high value markets. This scheme has proven to be effective at a pilot scale.

For the scheme to expand to larger scales, investors need to be able to place their financial resources in businesses formed by small producer associations. To make this possible, a modification to the private investment policy in Bolivia had to be proposed.

Together with officers of the Ministry of Finance, the Central Bank of Bolivia, and the Private Employers’ Confederation, CIDRE developed a proposal to modify the Investment Law. With this

modification, joint-venture investments are possible between specialized investment companies and economic units that are not registered in the stock market (the case of small rural producer associations). The proposal to modify the law was included in the new bank and private investment law of Bolivia.

To accomplish this, CIDRE produced evidence on the need and technical feasibility of investments with small rural producers through a comparative analysis of the policy. In addition, it actively mobilized its political, professional and personal contacts and involved key decision makers throughout the entire process, who later made this initiative their own.

Remarks

- Although it is possible to promote the scaling up of institutional and organizational innovations through this strategy, it is necessary to bear in mind that many of these innovations are based on implicit knowledge. Further, making this knowledge fully explicit is not possible in most cases, and this limits their chances of scaling up.
- Generating evidence that demonstrates the effectiveness of an innovation is costly and it is also a complex process. In most cases, generating quantitative evidence is unfeasible, unless there is a possibility that the innovation can really expand to mass scales. However, it is always possible to conduct case studies and comparative analyses that enable decision makers to make an informed judgment about the relevance and effectiveness of using, adopting or fostering an innovation.

It will never be possible to make the entire knowledge behind an institutional or organizational innovation explicit. For this reason, it is essential and critical that there be a direct interaction between the actors who develop an innovation and those interested in adopting it. Any scaling up initiative must promote this kind of exchange.

This summary is the **third** of a series of three documents that encompass research findings of the Scaling Up Rural Innovations Program, a joint IFAD – IDRC initiative. Contact: alvaro.paz27@gmail.com. More information about the research supported by the Program can be found in www.escalandoinnovacionesrurales.com.

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